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Carlyle Group's Sequa Said to Burn 44% of Cash; Loans Plunge (1)
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(Updates with industry woes in sixth paragraph.)

By Laura J. Keller
(Bloomberg) -- Sequa Corp., an aerospace parts servicer controlled by Carlyle Group LP, burned through nearly half of its cash in the second quarter as earnings tumbled and a recently acquired unit ran into trouble, according to three people with knowledge of the company's performance.
The company, which doesn't publicly disclose its financials, told holders of its nearly $1.9 billion of debt last week that it used up nearly $36 million of its cash and had just under $45 million left on June 30, said the people, who asked not to be identified discussing the private report.
Prices of Sequa's debt plunged. Its $1.3 billion of term loans dropped more than 1.8 cents on the dollar last week to 86.43 cents, according to data compiled by Bloomberg. The debt was trading as high at 98.1 cents in March.
Carlyle took Sequa private in a $2.7 billion leveraged buyout eight years ago, paying a premium of more than 50 percent on its share price when the deal was announced. Weak earnings have dented the company's ability to reduce debt and led Standard & Poor's to lower its credit rating to seven levels below junk in April, describing Sequa's financial commitments as "unsustainable."
Andrew Farrant, a spokesman for Palm Beach Gardens, Florida-based Sequa, and Randy Whitestone, a spokesman for Washington-based Carlyle, declined to comment.
Companies like Sequa that make spare airplane parts have suffered as the original manufacturers of the components have pushed into the business. Firms that sell secondary parts have also been slammed by slowdowns in China, Brazil and Russia that have led private and commercial jetliner owners to postpone repairs and upgrades.
Part of the company's cash burn came from higher-than-expected charges related to the November 2013 takeover of Trac

Group, said the people. Sequa purchased Crewe, U.K.-based Trac Group to expand its business to original equipment manufacturers.

Sequa's second-quarter adjusted earnings before interest, taxes, depreciation and amortization tumbled 26.5 percent to $38.9 million from about $53 million a year ago, the people said.

The company's performance differed in its two main business lines. Sales in its Chromalloy segment, where it repairs and manufactures parts for commercial and U.S. military jet aircraft engines, declined 7.5 percent to $198.5 million from the year-earlier period.

Company executives blamed the problems with the Chromalloy business on two maintenance agreements. Revenues from servicing the U.S. Air Force's KC-10 refueling tanker fleet declined as the government reduces spending on repairs, the people said.

Earnings also fell as the company sells fewer engine maintenance services to United Airlines Inc., which is phasing out Boeing 757 airplanes that require more upkeep.

Sequa estimated it would make $90 million less from Air Force contracts and United Airlines this year, the people said.

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--With assistance from Julie Johnsson in Chicago.

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